Big Commercial Banks Increased Farm Lending in 2d Quarter

By L. MICHAEL CACACE

NEW YORK — Farm loans at the top commercial banks in farm lending rose 4.5% in the second quarter over the first quarter of 1985.

In a special listing published today, the *American Banker* identifies all banks with $50 million or more in domestic farm loans outstanding on June 30. There were 47 such banks at midyear, and they had farm loans totaling $8.58 billion on June 30. This was up $370 million from $8.21 billion on March 31.

The four largest banks in farm lending are all California-based. They are:

- Bank of America, San Francisco, with $1.96 billion in farm loans at midyear — up 2.2% from $1.92 billion on March 31.
- Wells Fargo Bank, San Francisco, with $746 million, up 10% from the first quarter.
- Security Pacific National Bank, Los Angeles, with $638 million, up 0.9%.
- Crocker National Bank, San Francisco, with $400 million, up 5.9% from the first-quarter total of $378 million.

California — with the four largest, identified above, plus three others — had the greatest number in the listing of the top banks in domestic farm loans on June 30. Next in the rankings, with four banks each, were Idaho, Texas, and Washington. Nebraska, New York, and North Carolina follow, with three banks each.

Of the 47 top banks in farm loans outstanding, only seven are from the agricultural Midwest region, which comprises 10 states: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, North Dakota, Ohio, and South Dakota.

These banks are: eighth-ranked First Bank South Dakota NA, Sioux Falls; ninth-ranked Norwest Bank South Dakota NA, Sioux Falls; 23d-ranked Omaha National Bank; 31st-ranked Norwest Bank Omaha NA; 37th-ranked First National Bank, Holdrege, Neb.; 42d-ranked Continental Illinois National Bank and Trust Co., Chicago; and 44th-ranked Monticello State Bank, Iowa.

The bank with the largest gain in farm lending was RepublicBank Dallas NA. Its farm loans rose by more than 45% in the second quarter to $53.2 million from $36.5 million. And it advanced 27 places to rank 43d in farm lending on June 30.

First Security Bank Idaho NA, Boise, had a 31% gain in farm lending to $119.2 million at midyear from $91.3 million on March 31. This moved it up three places in rank to 18th position.

Citibank NA, New York, had the sharpest drop in domestic farm lending in the second quarter of 1985. Its domestic farm loans outstanding fell 26% to $117 million from $158 million, as it fell five places to 20th position.

First National Bank and Trust Co., Oklahoma City, had the next largest drop in lending as of the end of the second quarter. Its farm loans were down by over 22% to $134.6 million from $172.8 million, as the bank moved down four places to rank 16th.

Farm loans, or agricultural loans, are the sum of domestically booked loans secured by farmland plus loans to finance agricultural production and other loans to farmers. The data were taken from the federal regulatory report of condition, Schedule RC-C, item 1.b. (Column B — Domestic Offices) plus item 3, Column B.

Errors in Previous Survey

On Aug. 16, the *American Banker* published a listing of the top 100 banks in farm loans booked by a bank in both its foreign and U.S. offices as of Dec. 31, 1984. At that time, the *American Banker* stated that "because of the extensive revisions in the Loan Schedule of the Report of Condition, the *American Banker* has observed increased reporting errors by banks as well as increased computer keying errors by the federal regulators."

Some of the data shown in the listing, therefore, may be erroneous, reflecting these data collection and processing problems. The *American Banker* will notify its readers of any major errors of this type upon their discovery.

One such error has already come to light. The Summit Trust Co. in New Jersey was ranked 19th on that listing. The bank informed the *American Banker* that it has no farm loans. The federal regulators had keyed the bank's business loans into the farm loan data field by mistake. ■

Top Banks in Farm Lending

Banks with $50 Million or More in Farm Loans
on June 30, 1985 Compared with March 31, 1985
(Dollar Amounts in Thousands)

Rank 6/85	Rank 3/85		6/30/85	3/31/85
1	1	Bank of America NT&SA, San Francisco	1,957,000	1,915,000
2	2	Wells Fargo Bank NA, San Francisco	745,799	677,629
3	3	Security Pacific National Bank, Los Angeles	637,627	631,862
4	4	Crocker National Bank, San Francisco	399,765	377,613
5	5	Valley National Bank, Phoenix, Ariz.	294,969	299,226
6	6	Rainier National Bank, Seattle	293,553	248,773
7	9	Idaho First National Bank, Boise	270,304	218,828
8	7	First Bank South Dakota NA, Sioux Falls	237,007	242,507
9	8	Norwest Bank South Dakota NA, Sioux Falls	231,266	234,271
10	10	First Interstate Bank of California, Los Angeles	184,763	202,177
11	16	United States National Bank, Portland, Ore.	179,524	142,444
12	14	Seattle-First National Bank	177,079	159,546
13	11	Chemical Bank, New York	176,657	188,092
14	13	First National Bank, Amarillo, Tex.	143,732	170,832
15	17	First Interstate Bank of Arizona NA, Phoenix	135,396	123,065
16	12	First National Bank and Trust Co., Oklahoma City	134,598	172,777
17	18	First Security National Bank & Trust Co., Lexington, Ky.	130,982	116,119
18	21	First Security Bank Idaho NA, Boise	119,204	91,280
19	20	Peoples National Bank, Seattle	118,338	96,708
20	15	Citibank NA, New York	117,000	158,000
21	22	Lloyds Bank California, Los Angeles	98,090	86,787
22	23	Old National Bank, Spokane, Wash.	98,015	83,612
23	19	Omaha National Bank, Neb.	94,993	105,665
24	31	NCNB National Bank of North Carolina, Charlotte	92,108	67,339
25	28	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	88,877	76,855
26	24	Citizens Fidelity Bank & Trust Co., Louisville, Ky.	88,238	82,443
27	25	First Interstate Bank of Oregon NA, Portland	87,579	81,323
28	27	Branch Banking & Trust Co., Wilson, N.C.	87,156	78,006
29	26	Texas American Bank Fort Worth NA, Tex.	85,272	79,796
30	32	Valley Bank, Idaho Falls, Idaho	76,296	65,561
31	29	Norwest Bank Omaha NA, Neb.	71,284	72,600
32	30	American Bank & Trust Co., Reading, Pa.	70,322	71,568
33	34	Colorado National Bank, Denver	68,136	64,089
34	35	Dominion Bk of Shen'doah Valley NA, Bridgewater, Va.	67,574	61,711
35	33	First Victoria National Bank, Tex.	64,195	64,760
36	36	Hamilton Bank, Lancaster, Pa.	60,174	60,135
37	40	First National Bank, Holdrege, Neb.	59,381	54,789
38	38	NCNB National Bank of Florida, Tampa	58,354	59,085
39	45	First Interstate Bank of Idaho NA, Boise	57,972	46,774
40	52	Deposit Guaranty National Bank, Jackson, Miss.	55,039	44,125
41	51	Grenada Bank, Miss.	54,972	44,129
42	37	Continental Illinois National Bank & Trust Co., Chicago	54,099	60,113
43	70	Republicbank Dallas NA	53,224	36,516
44	41	Monticello State Bank, Iowa	52,925	50,479
45	39	Bank of Stockton, Calif.	52,613	56,299
46	42	First Security Bank of Utah NA, Ogden	51,726	49,916
47	53†	Norstar Bank of Upstate NY, Albany	51,171	43,598
		Totals	**8,584,348**	**8,214,822**

Data are from the June 30, 1985, and March 31, 1985, Federal Regulatory Report of Condition (RC). Farm loans are the sum of loans secured by farm land (Schedule C Loans, item 1b) plus loans to finance agricultural production and other loans to farmers (Schedule C, item 3). Only domestically-booked farm loans (loans booked by the U.S. offices of a bank) are included. Foreign-booked farm loans (loans booked by the foreign offices of a bank) are excluded.
(†)— The March 31 rank and farm loans are for Oneida National Bank, Utica, N.Y., which was merged into Norstar Bank of Upstate NY on April 1.
Raw data provided by Data Resources, Inc., Lexington, Mass.
American Banker has edited the raw data for input errors made by the Federal regulators in the preparation of their computer tape of Schedule C.

Comment . . .

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has the potential to exacerbate difficulties for problem banks. For those reasons, the penalty on high-risk banks is modest. If the system is put in place and works effectively — we think it will — then it may be appropriate to vary insurance assessments much more steeply in the future. At the present time, we are looking for improvement through risk-related premiums, but not for dramatic change.

I would like to shift my attention to two options that potentially could change the banking system and the handling of failures more dramatically.

Modified Payoff

In the spring of last year, the FDIC tested a so-called modified payoff procedure. I won't go into the details here other than to say that we attempted to make the procedure for paying off insured deposits (as opposed to purchase and assumptions) less disruptive to the system, with the view that this might be the standard way to treat all bank failures. The modified payoff worked from the standpoint of mechanics — it clearly was superior to a traditional payoff because it conserved FDIC personnel and financial resources and was less disruptive to the community.

Still, the transaction was far more people-intensive than a purchase and assumption. We stopped using the modified payoff as the standard approach in April 1984 in order to examine how well it was working and to catch our breath. Then Continental came along, and thereafter it did not seem appropriate to continue the modified payoff, except in situations that called for payoffs. It is important to note that many at the FDIC did not consider the modified payoff to be an unqualified success or the way to go in the future.

There were practical problems compared with a purchase and assumption. It required more manpower and, sometimes, more time between the bid process and the closing and eventual reopening of the banking facilities. The larger the bank and the more accounts it had, the longer would be these time gaps. We did not think we could do a modified payoff on a really large bank without a substantial delay.

Many of us were skeptical about "depositor discipline." Depositors generally have ample notice to get out of a troubled bank without incurring any loss. Once unfavorable news becomes public, they have no incentive to stay with a troubled bank, even if they think it is likely to survive and turn itself around. Actually, the increased probability of depositor loss makes it difficult for a troubled bank to turn itself around.

Decisions on the timing of bank closings become very important. If the Fed makes secured advances, uninsured creditors are allowed to get out at no cost while the loss ultimately realized by uninsured creditors that remain is increased. The latter, I believe, have a reasonable basis for action against the Fed and the primary supervisor in such situations.

If we could and did pay off a large failing bank, what would be the impact on the system and on other banks funding primarily through uninsured creditors? Lots of assets would be tied up in liquidation, as would the claims of many depositors and lenders. Flights of deposits from large institutions perceived to be at risk might be considerable. How great this problem would be is hard to say. I think we are talking about considerable risk and potential disruption.

Would System Be Better?

Some say we eventually would get to a better system, although it may be difficult or impossible to get from here to there. I'm not so sure it would be a better system. I believe it is apt to be more unstable, and that depositor discipline has its limits in an environment where most liabilities are very short-term funds can be readily transferred, lever-

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News from ABA Agricultural Convention

Farm Bill's Impact Will Be Slight Regardless of Bent, Scholar Says

By ANDREA BENNETT

DALLAS — More than 100,000 farmers probably will go out of business before the end of the decade no matter what type of farm bill is enacted, a farm economist has said.

"The farm bill will not solve the farm credit crisis, and anyone who thinks it will is kidding themselves," Ronald J. Knutson, a professor at Texas A&M University, told the American Bankers Association agricultural bankers conference here.

But Mr. Knutson said that the form the farm bill takes can have a great influence on the number of farmers who do survive. Under a farm bill that is a continuation of present farm policies in terms of target prices, loan rates, and set-asides, farmers with debt-to-asset ratios of 60% or more probably will not make it through 1990, Mr. Knutson said.

As of the beginning of this year, the U.S. Department of Agriculture estimated that there were 123,000 farmers in that situation.

But Mr. Knutson said the probability that farmers will survive under a market-oriented farm bill like the one currently advocated by the Reagan administration is even less. Under the administration approach, most farmers with debt-to-asset ratios of 30% or more have little chance, he said.

A free-market approach, "under the current agricultural situation, is pure disaster," he said. "This is the worst time to pull the plug in terms of agriculture policy."

He added that corn farmers probably would fare better than wheat or cotton farmers under a free-market approach because the corn farmers are less reliant on farm programs.

Mr. Knutson said agriculture is going through transitions. Consumer demands have shifted and in some cases declined. At the same time, economies of scale in agriculture recently have "increased substantially," making larger farms more efficient.

"That presents some major problems for the family farm survival over the long haul," he said. He said these major adjustments make short-run strategies such as credit programs less effective.

Another Story on the Farm Crisis, Page 12

He also said that broader economic issues, such as budget deficits and the value of the dollar, may be more important to farmers in the long run than the farm bill.

Low-budget deficits and moderate money growth probably would be the most effective policy for improving the financial health of farmers, but even under those conditions, Mr. Knutson said, net farm income would not improve much through the decade.

A continuation of the current economic path of high budget deficits and fast money supply growth could lead to short-term improvements as farm exports increase and interest rates drop.

However, Mr. Knutson said, in the long run it would lead to a return of economic conditions that existed at the end of the Carter administration, Mr. Knutson said. Net farm income would also decrease substantially, he said. ■

Young Virginia Bankers Install Hardy, Chapman

RICHMOND, Va. — Julian D. Hardy Jr., executive vice president of First National Bank of Christiansburg, is the new president of the young bankers section of the Virginia Bankers Association. He was installed during the group's recent annual conference.

James H. Chapman 3d, vice president for Colonial American National Bank in Roanoke, was elected first vice president of the young bankers section. ■

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Farmers Still Have Good Opinion Of Their Bankers, Survey Shows

By ANDREA BENNETT

DALLAS — Despite increased financial stress in agriculture, a majority of farmers continue to have a good opinion of agricultural lenders, a new survey shows. More than half — 55% — of the farmers responding to the survey said they had a very favorable or somewhat favorable opinion of farm lenders.

The farmers also said their relationship with their lender was the most important agricultural-related relationship they had. Only 15% of those surveyed said they had an unfavorable opinion of farm lenders, although almost a third had no opinion on the subject.

Farmers responding to the survey were also concerned about the financial strength of U.S. lending institutions.

The Farm Credit System prompted the strongest concern, with 65% of the farmers saying they were concerned about the financial health of the Federal Land Banks and 53% concerned about the Production Credit Associations. One-quarter of those polled were concerned about the financial health of commercial banks.

The results are from a survey sponsored by the J.I. Case Co. of Racine, Wis. The survey, which was conducted by an unnamed independent research firm in early September, tallied responses from 679 farmers.

Results were released at the recent American Bankers Association agricultural bankers conference. Jerome K. Green, president and chief executive officer of J.I. Case, said that the 55% who had a favorable opinion of bankers, combined with the 30% who had a neutral opinion, "adds up to an overall approval rating of 85%, which is a

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Comment . . .

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age is substantial, and information is easily transmitted.

The modified payoff would do nothing to increase discipline in the many banks (and most thrifts) that have practically no uninsured deposits. More payoffs would also encourage circumvention through pooling devices and increased use of brokered deposits.

The modified payoff has recently received considerable support from some large banks. Why? They don't view themselves as failure candidates and may question, legitimately, our ability or willingness to pay off a really big bank. Paying off smaller banks will preserve and enhance the big bank edge in competing for funds. General reliance on payoffs weakens the argument for bringing foreign office deposits into the assessment base. If the purchase and assumption is not the standard transaction, foreign office deposits don't get de facto coverage so there is no logic in adding to the assessment base.

My own view and the prevalent view in the FDIC is that the modified payoff is not the way to go.

FDIC Capital Proposal

For a long time I have felt that the best way to go was to raise capital requirements and allow subordinated debt to count in meeting a significant portion of those requirements.

Increased capital will provide a greater cushion to the deposit insurance fund and enable supervisors to raise the threshold at which demands for more capital or other corrective action is made. This is a key aspect of the proposal. Such supervisory demands would occur at levels where institutions are still solvent and still have value for existing stockholders or potential acquirers. If banks can't take corrective action, sanctions (restrictions on growth, acquisitions, etc.) would be imposed, and eventually banks might be closed while still "book solvent." In most instances, it will pay to recapitalize on terms that dilute existing shareholders or merge on unfavorable terms. Thus, there would be fewer failures, less FDIC management of failures, and more private sector solutions.

Increased capital imposes costs on bank services and adversely affects the ability of banks to compete with other institutions and foreign banks. However, permitting subordinated debt to meet a considerable share of capital requirements will enable strong banks, perceived to be financially sound, to maintain their leverage without significantly increasing their capital costs. Subordinated creditors will perform a disciplinary role and the marketplace will determine permissible leverage.

Despite statements to the contrary, implementation of this proposal is unlikely to persuade banks to shift to riskier loan portfolios. The consequences of unfavorable performance — the need and pressure to recapitalize — would substantially raise the risks associated with such portfolio shifts.

I believe the market for subordinated debt could expand significantly. Even moderate-sized banks in strong financial situations will find market access through private placements, sales to other banks, or direct sales to customers.

Overall, smaller banks will benefit from implementation of this proposal. Generally, they start out with much higher capital ratios so that most won't have to go to the market. Many, as I have suggested, will have access to debt markets, though not necessarily public markets. They will be in a stronger position to compete for deposits with larger banks. And, to the extent that there are fewer bank failures and reduced FDIC losses, the net insurance assessments on all banks will be reduced.

It will be necessary to phase in higher capital requirements. There is certainly nothing sacred about 9%. It may be appropriate to go to, say, 7% or 7.5% in two or three years and then see if it is desirable or necessary to raise the level further.

There will be problems in accurately measuring capital ratios. Chargeoff policies become critical. There are questions related to which, if any, off-balance-sheet exposure should be included in the denominator of the ratio.

It should be noted, however, that these problems exist under the present system, and there are reasonable, if not perfect, solutions to them. Somehow it will be necessary to phase in higher capital requirements on thrifts.

While the capital proposal isn't perfect, it is, I believe, the best option available to improve our system. ■

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Farmers' Silos Are Bulging, But Financially It's a Grim Harvest

By RICHARD RINGER

The farmers got bumper crops. Their lenders got burdened credits.

Somehow, it just does not seem possible. But that is how it is these days in farm lending. Farmers and lenders alike cannot expect the expected.

Agricultural Lending

In normal times, a bumper crop would produce higher income for farmers, who would then be better able to repay their debts. But this year, the bountiful crop is lowering commodity prices, and thus income. So as farm lenders line up for loan payments, they realize that not all of their cash-strapped farmer-borrowers will be able to pay them back.

The year started off badly. Lenders, saddled with farm-loan losses in earlier years, said they were going to have to be tightfisted. So farmers had to scramble to line up operating loans from increasingly stingy creditors. But by the time planting season got into full swing, fewer than 5% of the farmers were denied operating loans. That was far less than projections of up to 15% of farmers being denied credit.

Anxious to dig their way out of financial problems of the previous four years, and with more borrowed money, the farmers returned to fence row-to-fence row planting, which helped produce the bumper crops.

Lenders said they had little choice but to extend more credit. It was that or force a large number of farmers into foreclosure. That tactic would have glutted the depressed agricultural markets with even cheaper farm land and equipment and threatened a rebellion by angry farmers pushed into foreclosure. Bankers understandably could not warm up to the idea of placard-carrying farmers protesting in front of their banks.

The year is ending with matters even worse. Some farm-town banks that lent money in the spring are on the brink of failure. Others already have been closed. The Federal Deposit Insurance Corp., receiver of the failed banks, is left to collect on many of the loans.

Even the Farm Credit System, the largest farm lender, is humbled by the mounting financial problems. Following months of denials that the system was facing enormous loan losses that threatened its solvency, Farm Credit officials finally conceded that a federal bailout may be needed.

The crisis warning sounded, commercial banks and farmers intensified lobbying efforts to assure that they be included in any rescue. And the farm financial problems were much discussed this week as bankers gathered in Dallas for the annual American Bankers Association agricultural bankers conference, which ends today.

These statistics, published recently by the Federal Reserve, detail just how serious the problems are:

• **Farm loan delinquencies and chargeoffs.** The delinquency rate on banks' farm loans has increased. As of June 30, past due and nonperforming farm production loans at all banks totaled $3.6 billion, or 9% of outstanding production loans. That's up from $2.7 billion, or 6.6%, at June 30, 1984.

Nonaccrual farm loans accounted for much of the increase. At the end of June, $2.9 billion in farm production loans were nonperforming, up from $2.1 billion at the same time a year earlier.

Nonaccrual farm production loans increased despite rising farm loan chargeoffs. In the first half of 1985, farm loan chargeoffs amounted to $520 million. In all of 1984, chargeoffs equaled $900 million.

Predictably, the quality of loans at agricultural banks has been deteriorating most rapidly in the Great Plains and the western corn belt states. Particularly hard-hit is Iowa. Delinquency rates on farm production loans at Iowa banks rose to 7.2% of total loans outstanding at the end of June, about a half-point higher than the national average. A year earlier, the Iowa delinquency rates had been about equal to the national averages at agricultural banks, and two years earlier they had been slightly lower.

• **Agricultural bank failures.** "More agricultural banks have been moving into vulnerable positions," said Emanuel Melichar, senior economist in the economic activity section of the Federal Reserve. "Many of the agricultural banks that have failed were earlier found among the banks at which delinquent loans exceeded total capital. The generally upward trend in the number of agricultural banks in that potentially vulnerable position suggests that failures of agricultural banks may continue at recent higher levels."

Through Oct. 21, 54 of the 94 banks that failed were agricultural banks, or 57% of total bank failures. Farm loans at all of the failed banks through Oct. 21 amounted to $388 million, or 19% of total loans at those banks. In all of last year, farm loans at the 78 failed banks amounted to $199 million, or 10% of total loans at those banks. ■

Hutton Leader Denies Firm Knew of Illegality

HARTFORD (UPI) — Top executives of E.F. Hutton and Co. had no prior knowledge of the bank overdrafting that led to the investment firm's pleading guilty to federal fraud charges, its chairman said.

Robert M. Fomon told a state banking department hearing that Hutton was aware that the U.S. Department of Justice was investigating the company but that the firm did not expect the investigation to result in indictments.

Mr. Fomon, who is chairman and chief executive officer of E.F. Hutton Group Inc., said he learned of the illegal conduct only shortly before Hutton agreed to plead guilty to 2,000 counts of mail and wire fraud.

"The company did not realize we were engaging in illegal practices. That only developed in the last few days before we entered into the guilty pleas," Mr. Fomon said. ■

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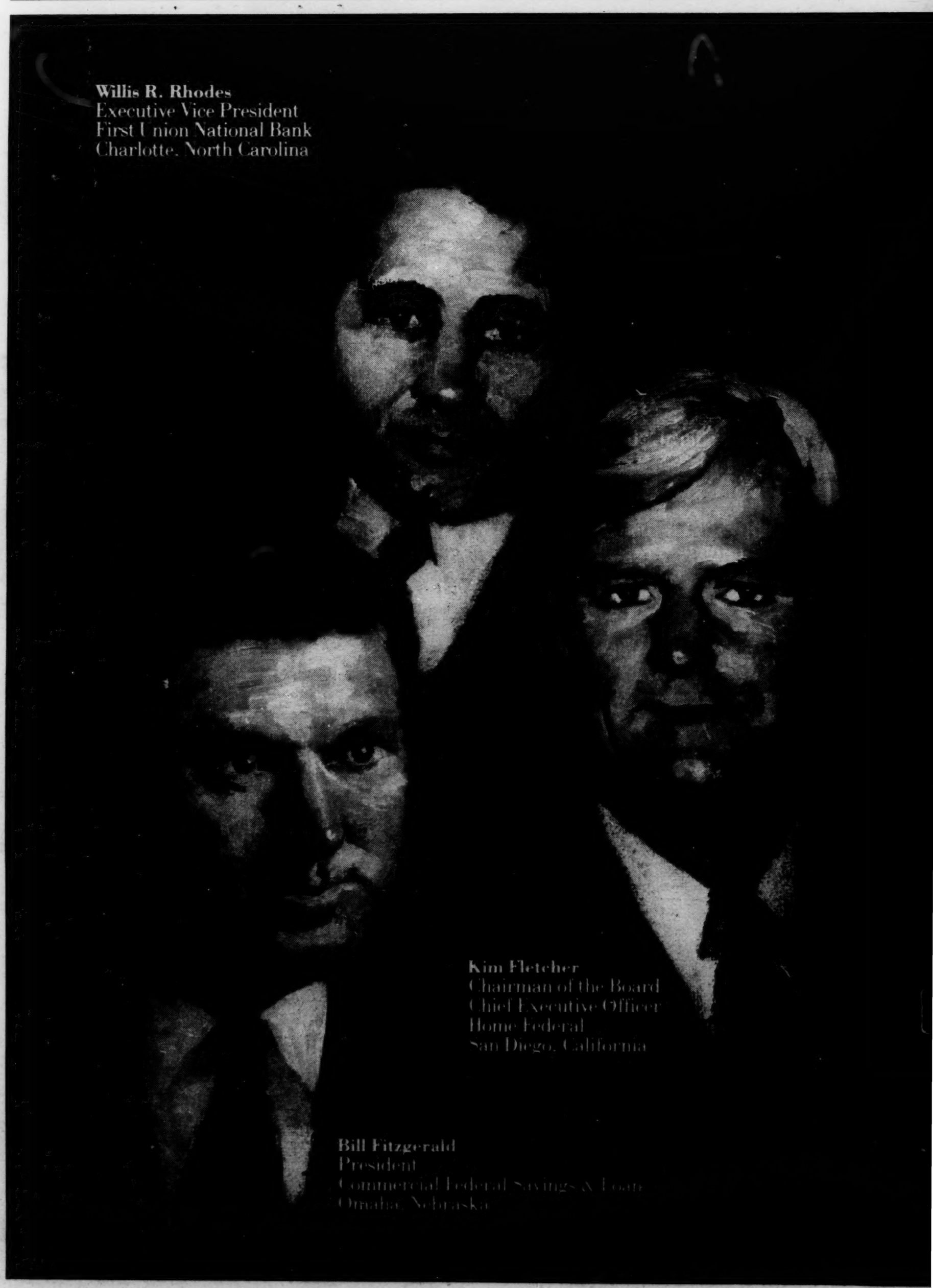

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Bank Computer Fails, Disrupts US Securities

Bank of NY Said to Borrow $24 Billion Overnight from Fed

NEW YORK — Serious computer problems at the Bank of New York last Thursday disrupted the government securities market and forced the bank to borrow more than $20 billion overnight from the Federal Reserve Bank of New York, according to industry sources.

The computer failure, involving the bank's link with the government securities network operated by the Federal Reserve System, prevented the bank from transferring upwards of $20 billion in U.S. Treasury instruments, sources said. Some estimates ranged as high as $60 billion. The Fed's securities wire was kept open until 2:15 a.m. on Friday in an attempt to process as many transactions as possible, the sources said.

This story was reported by Tom Ferris, Robert M. Garsson, and Bart Fraust. It was written by Mr. Ferris.

Unable to complete all its trades, the bank said it needed "to borrow a large sum overnight from the discount window" of the New York Fed to meet its reserve account requirement. Industry sources put the loan at $24 billion.

The computer problems continued into Friday, and the New York Fed informed its member banks at 11:45 a.m. that securities transactions destined for the Bank of New York would not be accepted. That suspension was lifted at 1:31 p.m. after the Bank of New York informed the Fed it had cleared up the "system malfunction."

A Federal Reserve spokesman said it was unclear whether the wire would close on time Friday.

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AN AMERICAN BANKER SPECIAL REPORT

Banks Turn to Captive Insurers

Directors', Officers' Policies Proving Too Dear in Usual Market

By LYNN BRENNER

NEW YORK — Bankers today are reluctantly planning to get into the insurance business in a way they neither desired nor contemplated even a year ago — as insurers of their own directors' and officers' liability risks.

Premiums for that coverage have soared in the conventional market during the past year — sometimes going up 4,000%, according to insurance brokers. Even worse, the insurance is now sharply restricted, excluding many types of claims. Claims arising from suits by governmental agencies, by the institution against its own officers, or from losses due to mergers and third world loans, for instance, are no longer covered.

Bankers who want higher limits and broader coverage are going to have to manufacture it. Many plan to do so, and state regulators are encouraging their plans. In New York last week, for instance, the state banking superintendent met with banking association representatives to swap notes on the crisis. The same day, a group of banking companies led by Chemical announced its intention to create a Bermuda captive to provide the coverage.

Directors' and officers' coverage has become an emotion-charged issue at many institutions. "The whole question of confidence pervades this issue," explains Albert L. Salvatico, managing director of insurance broker Marsh & McLennan's fi-

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Trade Groups Also Trying to Fill Void

By JAY ROSENSTEIN

WASHINGTON — Bank and thrift trade groups are becoming directly involved in efforts to insure members that can't buy directors' and officers' liability coverage in the tight insurance market.

Trade groups and individual institutions are worried that without the insurance, they can't attract and retain top managers, especially good outside directors. Some bankers say that's already difficult at a time when the federal government is putting limits on bank loans to officers and directors and is putting new emphasis on bank disclosures of financial dealings with bank insiders.

Among the trade group responses to the directors' and officers' liability crisis:

• The American Bankers Association and the U.S. League of Savings Institutions are both considering industry-owned insurance captives.

• The Independent Bankers Association of America, whose members are mostly small and medium-size banks from farm states, and the National Council of Savings Institutions, comprised mostly of savings banks, are both trying to expand current group coverage written by conventional insurance companies.

Trade groups are also:

• Initiating contact with the London reinsurance market. Reinsurers' reluctance to accept bank risks is partly responsible for the insurers' withdrawal from the market. The idea is to con-

➳ Liability: Page 16

At ATM/8 Fujitsu will introduce ATM banking

The art of ATM banking will be exhibited at ATM/8 in Nashville, Tennessee, December 3–6, Booth 400.

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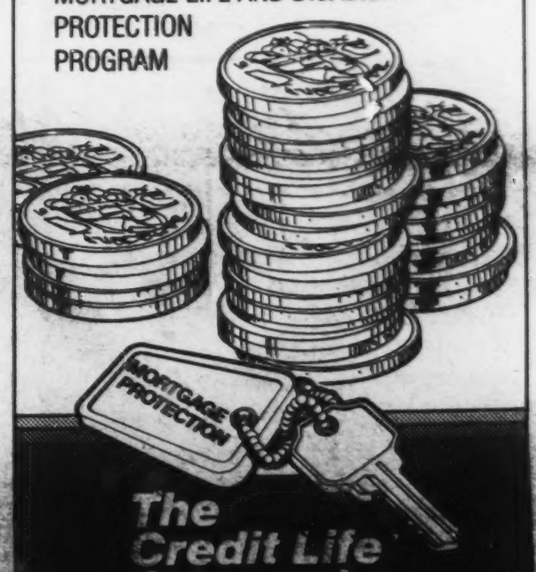

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